

Key Themes

A quieter week on the liquidity front with the US Treasury auctioning and settling approx. \$141b in ST bills raising approx. \$16b in new money (4wk bill TBA). The US Treasury will also auction \$78b in 3/10/30 treasury securities that will settle next week.

Central bank decisions this week from the RBA and the RBNZ.

Key data this week will be US CPI (July) and prelim Q2 GDP growth for the UK and Japan.

On the trade front. NAFTA negotiations have taken on a higher gear between US and Mexico. Mexico is keen to finalise an agreement, but Canada is yet to re-join the negotiations. There are US public hearing outcomes still due for various tariff proposals that may influence the direction on potential auto tariffs and US-China discussions.

US Treasury Issuance, Settlements & Fed Balance Sheet Normalization

A quieter week with the US Treasury auctioning and settling approx. \$141b in ST bills, raising approx. \$16b in new money. The key date to watch 9 August. Note that the 4week bill auction is yet to be announced – and the total could move +/- \$10b based on recent weeks changes.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
6 Aug - 10 Aug	6-Aug-18	9-Aug-18	4wk bill	45			TBA	
			3mth bill	51			Announced	
			6mth bill	45			Announced	
				141	125	16		

This week the US Treasury will also auction 3/10/30yr treasuries, which will settle next week. Next week is also the mid-month maturity of US Fed holdings of treasury securities. Approx \$23b will mature on 15 Aug – of that only \$10b will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount \$B (TBAC)	Amount Maturing \$B	New Money \$B		
13 - 17 Aug	13-Aug-18	16-Aug-18	4wk bill	45			TBA	
			3mth bill	51			TBA	
			6mth bill	45			TBA	
				141	155	-14		
	7-Aug-18	15-Aug-18	3 year note	34			Announced	
	8-Aug-18	15-Aug-18	10 year note	26			Announced	
	9-Aug-18	15-Aug-18	30 year note	18			Announced	
				78	38.22	39.78		
				219	193.22	25.78		15.294
Fed SOMA - Face Value of SOMA securities maturing 15 Aug 2018						23.069		
Proportion of mthly cap (\$24b total Aug)						12.583		
Amount to reinvest						10.486		

Data is available at https://www.newyorkfed.org/markets/soma/sysopen_accholdings.html and the face value of maturing securities (in Fed SOMA) is also provided on the Treasury Direct auction announcements.

Monday 6 August 2018

UK – BRC like for like Retail Sales (July)

Tuesday 7 August 2018

US – JOLTS, Consumer Credit

Australia – RBA Rates Decision

Eurozone – German Industrial Production (June)

Canada – Ivey PMI (July)

Japan – BoJ Summary Opinions Report

Wednesday 8 August 2018

US – FOMC Barkin speech

Australia – Housing Lending (June), RBA Governor Lowe speech

China – Trade data (July)

NZ – RBNZ Rates Decision

Thursday 9 August 2018

US – PPI (July), Fed Evans speech, US Wholesale Inventories (June)

China – CPI (July)

Japan – Prelim Q2 GDP

Friday 10 August 2018

US – CPI (July)

UK – Prelim Q2 GDP

Canada – Employment (July)

Trade & Brexit

US-China Trade Negotiations

The Office of the U.S. Trade Representative (USTR) held public hearings July 24-25, 2018 regarding proposed tariffs on approximately \$16 billion worth of Chinese products (this is the remaining \$16b of the original \$50b levied in response to unfair trade practices related to technology transfer, intellectual property, and innovation).

Awaiting outcomes of these hearings.

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/july/public-hearings-proposed-section-301>

The tariffs initially announced on 10 July - 10% tariff on \$200b in trade value - may be increased to 25%. Public hearings are still proposed for 20-23 August.

China reacted by announcing an import tax on approx. \$60b of US imports with the tax rate ranging from 5% - 25%.

NAFTA

Progress on NAFTA with Mexico claiming that it is close to overcoming several key issues with the US. Negotiations are planned to continue next week. Mexico has previously stated that it wants to finalise a deal by the end of August.

Canada is yet to join the current talks.

US-Japan Trade Talks

US Trade Representative Lighthizer has told a senate hearing committee that the first meeting with Japan on a new trade dialogue will be in the next 30 days.

Section 232 – Car and Truck Imports

Awaiting the outcome of the public hearings.

President Trump met with EC President Jean-Claude Juncker in Washington. For the moment, the threat of auto tariffs has been put on hold as both sides agree to start talks to reduce trade barriers related to all industrial goods other than cars. Steel and aluminium tariffs remain unresolved. President Trump claimed that the EU would “almost immediately” begin buying “a lot of” US soybeans.

Joint statement; http://europa.eu/rapid/press-release_STATEMENT-18-4687_en.htm

Brexit

The UK government is in recess for the summer.

During the summer break, ministers of the UK Cabinet including PM May have been meeting with European leaders to build support for the UK Brexit whitepaper. There appears to have been little/no breakthrough so far.

A summary of the key areas of agreement and disagreement (from an EC perspective) can be found here; http://europa.eu/rapid/press-release_SPEECH-18-4704_en.htm

The outstanding issues (outlined in the link above) will be reviewed and proposals tabled at the next round of meetings with the UK and EC will be mid-August.